

State of Georgia
**Department of
Banking & Finance**



2018 Annual Report

This page is intentionally left blank

State of Georgia
Department of Banking and Finance



ANNUAL REPORT
For Year Ending December 31, 2018

Brian P. Kemp
Governor

Kevin B. Hagler, CEM
Commissioner

Table of Contents

<i>Message from the Commissioner</i>	1
<i>Organizational Structure</i>	2
<i>Financial Institution Supervision</i>	3
State-Chartered Banking Statistics	3
State-Chartered Bank Financial Summary	5
State-Chartered Credit Union Statistics	6
State-Chartered Credit Union Financial Summary	7
Examination Districts and Work Areas (Map)	8
<i>Non-Depository Financial Institution Supervision</i>	9
Mortgage Licensee Statistics	9
Money Service Businesses Statistics	10
<i>Administration</i>	11
Fiscal Year Receipts and Disbursements	11
<i>Summary of Activities for State-Chartered Financial Institutions and Other Entities Regulated by, Licensed by, or Registered with the Department of Banking and Finance During 2018</i>	12
<i>Benefits of the State Charter</i>	13

Message from the *Commissioner*

Georgia's banking environment was strong in 2018 and the Department proudly welcomed Heritage First Bank (Rome), as a result of a conversion, into the family of state-chartered banks. However, consolidation trends in the banking industry continued with several Georgia banks acquiring out-of-state banks while two merged into other Georgia state-chartered banks, three merged into non-Georgia state-chartered banks, and one merged into a national bank. Also, there were two Georgia banks acquired by credit unions. Despite an overall reduction in charters, total bank assets under the Department's supervision increased to a total of \$308 billion with Georgia banks operating 2,384 branches in 15 states. The Department ended 2018 with the third largest state-chartered banking portfolio in the country, trailing only New York and California.



Kevin B. Hagler

Georgia's credit unions continued to grow in 2018 with total assets under the Department's supervision rising to \$20 billion. Credit unions did not escape the consolidation trends in the financial industry as mergers led to an overall reduction in charters, even though Georgia state-chartered credit unions acquired four federal credit unions and two banks during the year.

Growth in the non-depository portfolio remained strong in 2018 driven primarily by the mortgage industry. Mortgage licenses and registrations totaled 18,875, representing growth of 13% year over year. The number of licensed money service businesses remained steady at 1,040 for the year, but that figure reflects an increase in the number of money transmitters and sellers of payment instruments, with a modest decline in the number of check cashers.

In other matters, Hurricane Michael caused an estimated \$2.5 billion in agriculture losses in Georgia in October 2018. While the impact to Georgia's financial institutions has not yet been fully realized, the Department is actively coordinating with our federal counterparts to provide relief to banks, credit unions, and their impacted customers. The Department's continued work with the credit union task force, a public/private partnership with the credit union industry, along with collaborative efforts with representatives of the banking and non-depository industries resulted in the enactment of the Department's housekeeping bill (HB 780, Bruce Williamson of the 115th) in the 2018 legislative session. HB 780 modernized statutory provisions related to the majority of entities regulated by the Department – banks, credit unions, mortgage lenders and brokers, mortgage loan originators, and money service businesses – as well as certain provisions addressing the Department's general powers. Of particular interest, in an effort to provide parity with favorable enactments at the federal level, HB 780 authorized Georgia financial institutions to exercise powers available to their federal counterparts so long as the bank or credit union provides advance notice and the Department offers no objection to the exercise of such power.

A handwritten signature in blue ink that reads 'Kevin Hagler'. The signature is stylized and cursive.

Kevin B. Hagler, CEM
Commissioner

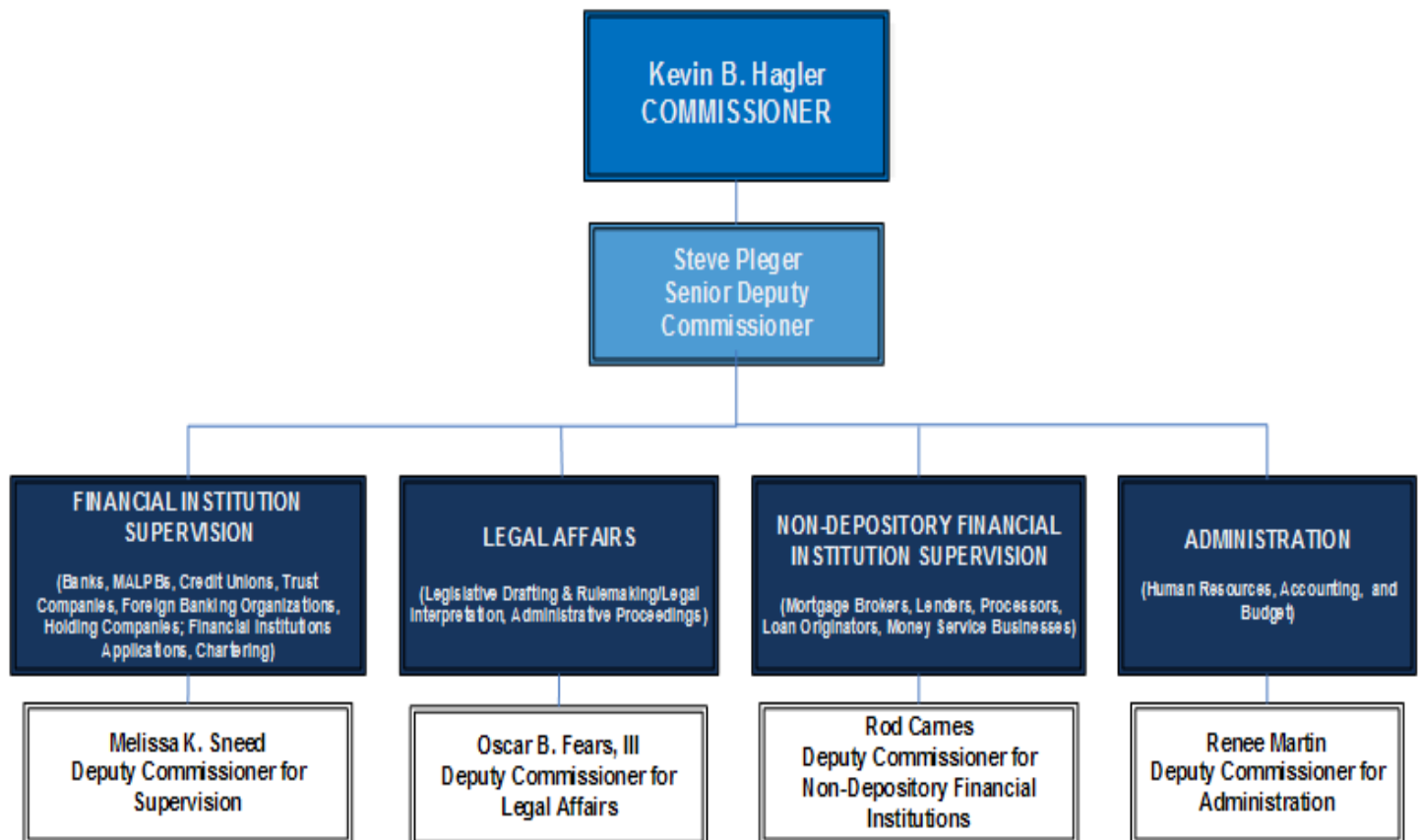
Organizational Structure

The Department of Banking and Finance (Department) is the state agency that regulates and examines Georgia state-chartered banks, state-chartered credit unions, and state-chartered trust companies. The Department also has responsibility for the supervision, regulation, and examination of merchant acquirer limited purpose banks (MALPBs) chartered in Georgia.

In addition, the Department has regulatory and/or licensing authority over mortgage lenders, brokers, processors, and loan originators, as well as check cashers, sellers of payment instruments, money transmitters, international banking organizations, and bank holding companies conducting business in Georgia.

The Department is headed by a Commissioner who is appointed by the Governor to serve a four-year term. Functionally, the Commissioner reports directly to the state's Chief Financial Officer, who reports to the Governor. Commissioner Kevin B. Hagler is assisted by Senior Deputy Commissioner Steve Pleger. The Department's operations are divided along functional lines: Financial Institution Supervision, Non-Depository Financial Institution Supervision, Legal Affairs, and Administration. Each of these divisions is headed by a Deputy Commissioner.

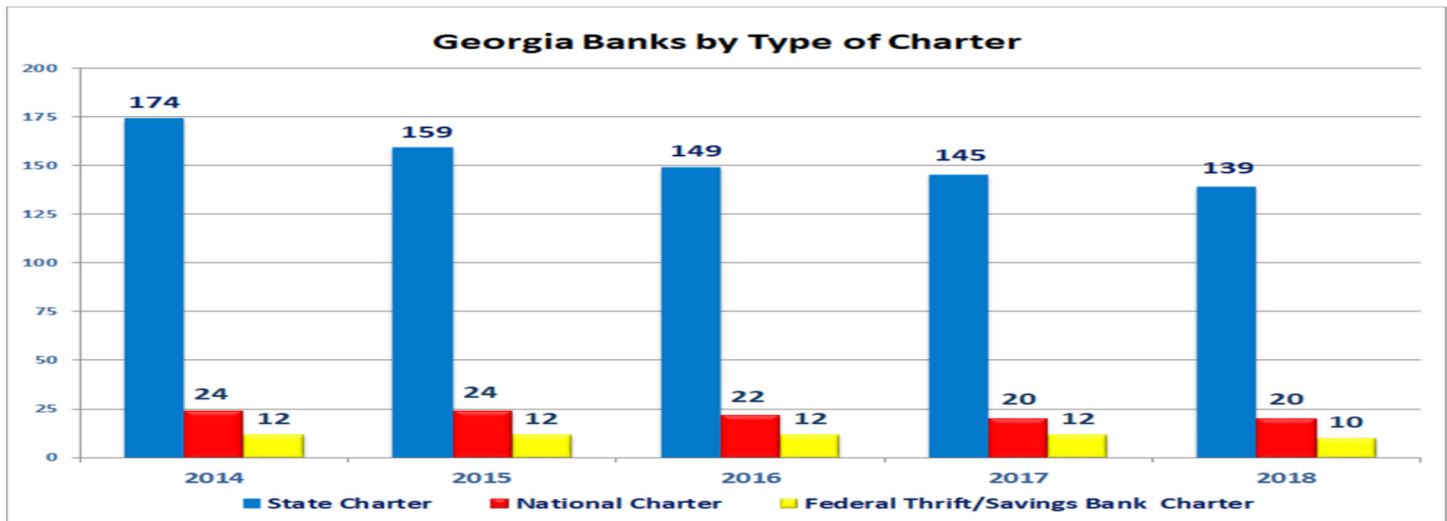
DEPARTMENT OF BANKING AND FINANCE



Financial Institution Supervision

STATE-CHARTERED BANKING STATISTICS

At the end of 2018, the number of Georgia state-chartered banks totaled 139, representing a net decrease of six banks from the previous year. This decrease resulted from six state-chartered banks merging out of existence while one national-chartered bank converted to a state-chartered bank and one state-chartered bank voluntarily self-liquidated. Despite the decrease in number, total assets for Georgia state-chartered banks increased by roughly \$10 billion to a total of \$308 billion at the end of 2018. A five-year financial performance summary for Georgia state-chartered banks can be found on Page 5 of this Report.



BANK HOLDING COMPANIES

A total of 114 bank holding companies were supervised by, or registered with, the Department at the end of 2018, representing a modest decrease from 119 in the previous year. This decline is attributed to the bank merger activity mentioned above.

TRUST COMPANIES

Trust activities continue to be conducted principally by bank trust departments. There is one state-chartered non-depository trust company in Georgia that is an independent trust company (Reliance Trust Company, Atlanta).

REPRESENTATIVE OFFICES OF BANKS AND BANK HOLDING COMPANIES

A representative office is an office established by a bank, a bank holding company, or an agent or subsidiary of either for the purpose of conducting activities other than a banking business. A representative office is not considered to be a main office or a branch office. There were 50 representative offices registered in Georgia at the end of 2018, unchanged from the prior year.

FOREIGN BANKING ORGANIZATIONS

Four international representative offices were registered with the Department at the end of 2018. This number is unchanged from the prior year.

Financial Institution Supervision

STATE-CHARTERED BANKING STATISTICS

As shown in the table below, Georgia state-chartered commercial bank assets under supervision increased to third in the country by the end of 2018 (savings banks not included in totals below). The table is sorted by total state charter assets and dollar figures are in millions.

State	State Charter	National Charter	All Bank Charters
New York	773,176	159,705	932,881
California	511,841	271,292	783,133
Georgia	308,305	10,889	319,194
Illinois	304,511	181,560	486,071
Utah	299,207	335,551	634,758
Massachusetts	296,749	1,765	298,514
North Carolina	283,159	1,782,651	2,065,810
Texas	262,401	137,477	399,878
Alabama	253,971	17,751	271,722
Ohio	192,006	2,949,053	3,141,059
Delaware	161,970	908,235	1,070,205
Missouri	137,447	26,176	163,623
Arkansas	100,270	7,254	107,524
Pennsylvania	96,856	83,039	179,895
Mississippi	83,484	18,712	102,196
Tennessee	82,968	49,289	132,257
Virginia	80,372	606,285	686,657
Iowa	78,261	5,235	83,496
Louisiana	68,828	7,138	75,966
Indiana	66,191	26,111	92,302
Wisconsin	56,444	47,897	104,341
Colorado	56,122	6,015	62,137
Michigan	55,566	5,692	61,258
Washington	55,530	16,791	72,321
Oklahoma	55,164	46,819	101,983
Kentucky	51,870	6,023	57,893
New Jersey	47,296	41,754	89,050
Kansas	46,143	14,052	60,195
Hawaii	44,351	639	44,990
Minnesota	44,206	24,350	68,556
Florida	40,127	122,484	162,611
Maryland	40,064	1,075	41,139
Nebraska	39,913	28,524	68,437
Montana	36,582	677	37,259
South Carolina	34,025	1,758	35,783
Oregon	30,825	501	31,326
South Dakota	27,755	3,126,074	3,153,829
West Virginia	26,268	5,205	31,473
Arizona	26,045	1,268	27,313
North Dakota	25,271	3,836	29,107
Nevada	10,725	10,451	21,176
New Mexico	10,617	1,604	12,220
Rhode Island	7,416	129,550	136,966
Wyoming	6,651	1,599	8,250
Idaho	5,962	-	5,962
Maine	5,799	6,197	11,996
Connecticut	5,468	76,751	82,219
New Hampshire	2,574	-	2,574
Alaska	2,335	3,753	6,088
Vermont	1,072	1,650	2,722

Source: FDIC Quarterly Banking Profile

Financial Institution Supervision

State-Chartered Bank Financial Summary

<i>(dollar figures in millions)</i>	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<i>Number of banks reporting</i>	138*	145	149	158	173
AGGREGATE CONDITION AND INCOME DATA					
Net income	4,148	3,298	2,890	2,788	2,451
Total assets	308,305	298,192	293,224	277,173	271,282
Earning assets	280,275	269,530	267,437	253,124	246,291
Total loans & leases	225,372	216,061	214,126	201,965	195,727
Other real estate owned	339	424	640	791	1,092
Total deposits	248,492	246,303	240,448	229,395	215,144
Equity capital	35,651	34,789	33,428	33,100	32,144
PERFORMANCE RATIOS (YTD, %)					
Yield on earning assets	4.14	3.73	3.51	3.43	3.63
Cost of funding earning assets	0.57	0.35	0.27	0.26	0.29
Net interest margin	3.58	3.38	3.24	3.17	3.34
Noninterest income to avg. earning assets	1.34	1.47	1.48	1.47	1.47
Noninterest expense to avg. earning assets	2.93	2.93	2.92	2.96	3.25
Net charge-offs to loans & leases	0.20	0.23	0.28	0.23	0.35
Credit-loss provision to net charge-offs	77.36	106.72	91.84	52.74	70.95
Net operating income to average assets	1.39	1.15	1.02	1.02	0.94
Retained earnings to average equity	3.94	3.99	3.03	4.03	3.93
Return on assets	1.39	1.12	1.02	1.03	0.94
Return on equity	11.97	9.72	8.62	8.56	7.82
Percent of unprofitable institutions	4.35	9.66	10.07	12.03	13.87
CONDITION RATIOS (%)					
Net loans and leases to assets	72.35	71.63	72.19	71.95	71.12
Loss allowance to:					
Loans and leases	1.03	1.14	1.14	1.26	1.43
Noncurrent loans and leases	85.31	92.20	87.70	101.86	98.43
Noncurrent loans & leases to					
total loans & leases	1.20	1.23	1.30	1.23	1.45
Nonperforming assets to total assets	0.99	1.03	1.17	1.18	1.45
Core deposits to total liabilities	83.99	87.33	86.99	88.16	83.73
Equity capital to total assets	11.56	11.67	11.40	11.94	11.85
Core capital (leverage) ratio	10.14	10.03	9.82	10.08	9.87
Total capital to risk-weighted assets	12.82	13.07	12.74	12.92	13.00

*One self-liquidating bank did not file a yearend Call Report.

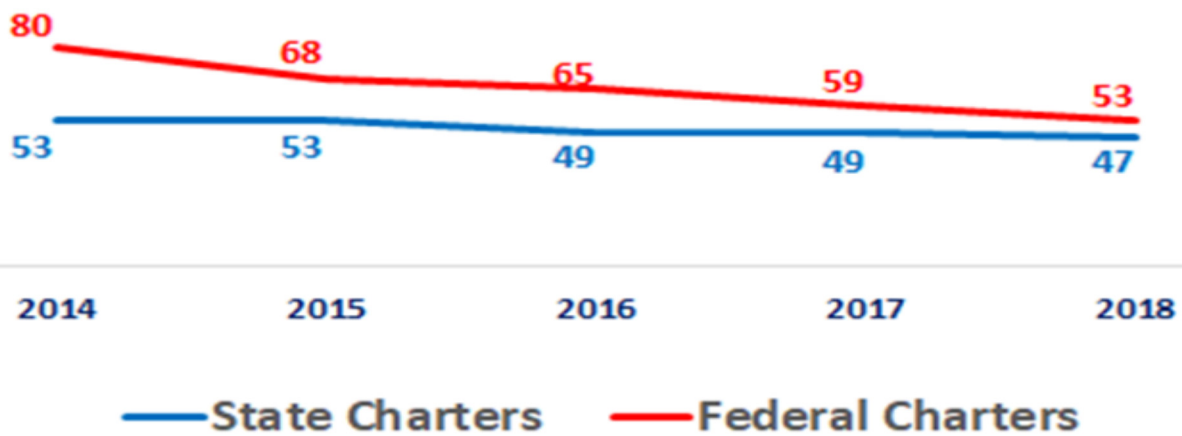
Source: FDIC Quarterly Banking Profile

Financial Institution Supervision

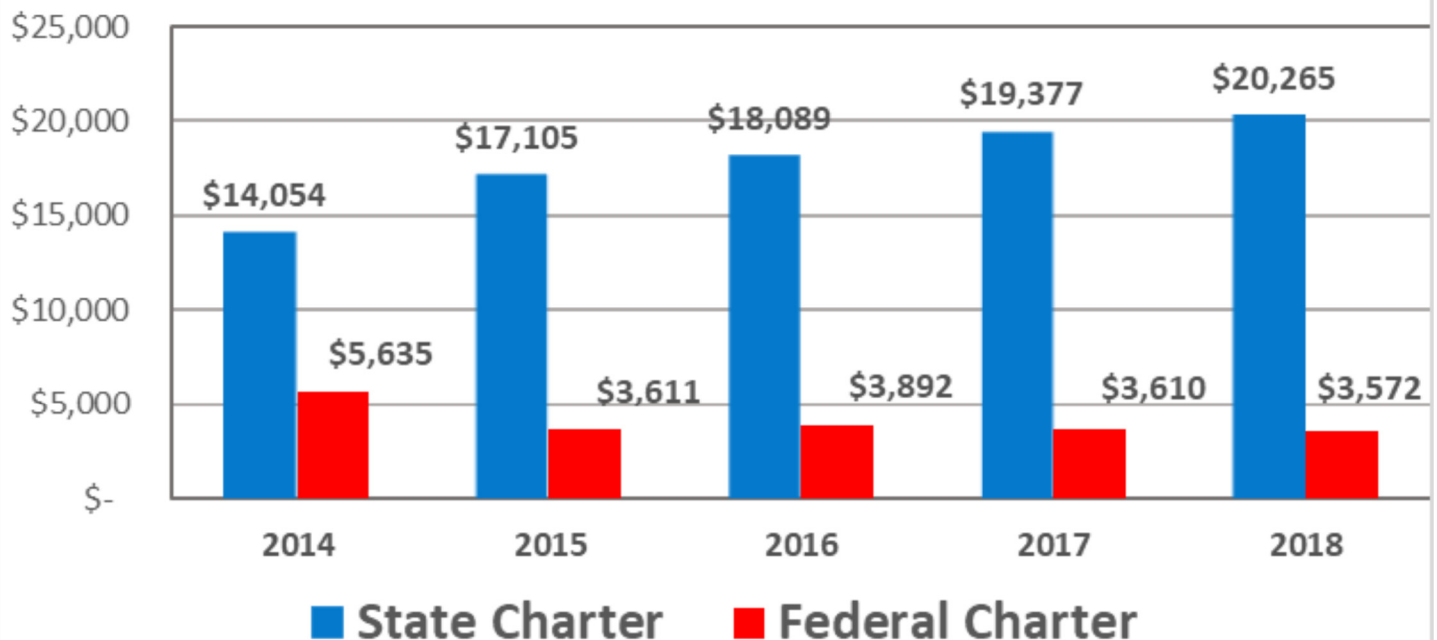
STATE-CHARTERED CREDIT UNION STATISTICS

The number of Georgia state-chartered credit unions declined by two to a total of 47, but credit union assets grew by roughly \$1 billion to a total just over \$20 billion at the end of 2018. A five-year financial performance summary for Georgia state-chartered credit unions can be found on Page 7 of this Report.

Georgia Credit Unions by Charter Type



Georgia Credit Union Assets by Charter Type (dollar figures in millions)



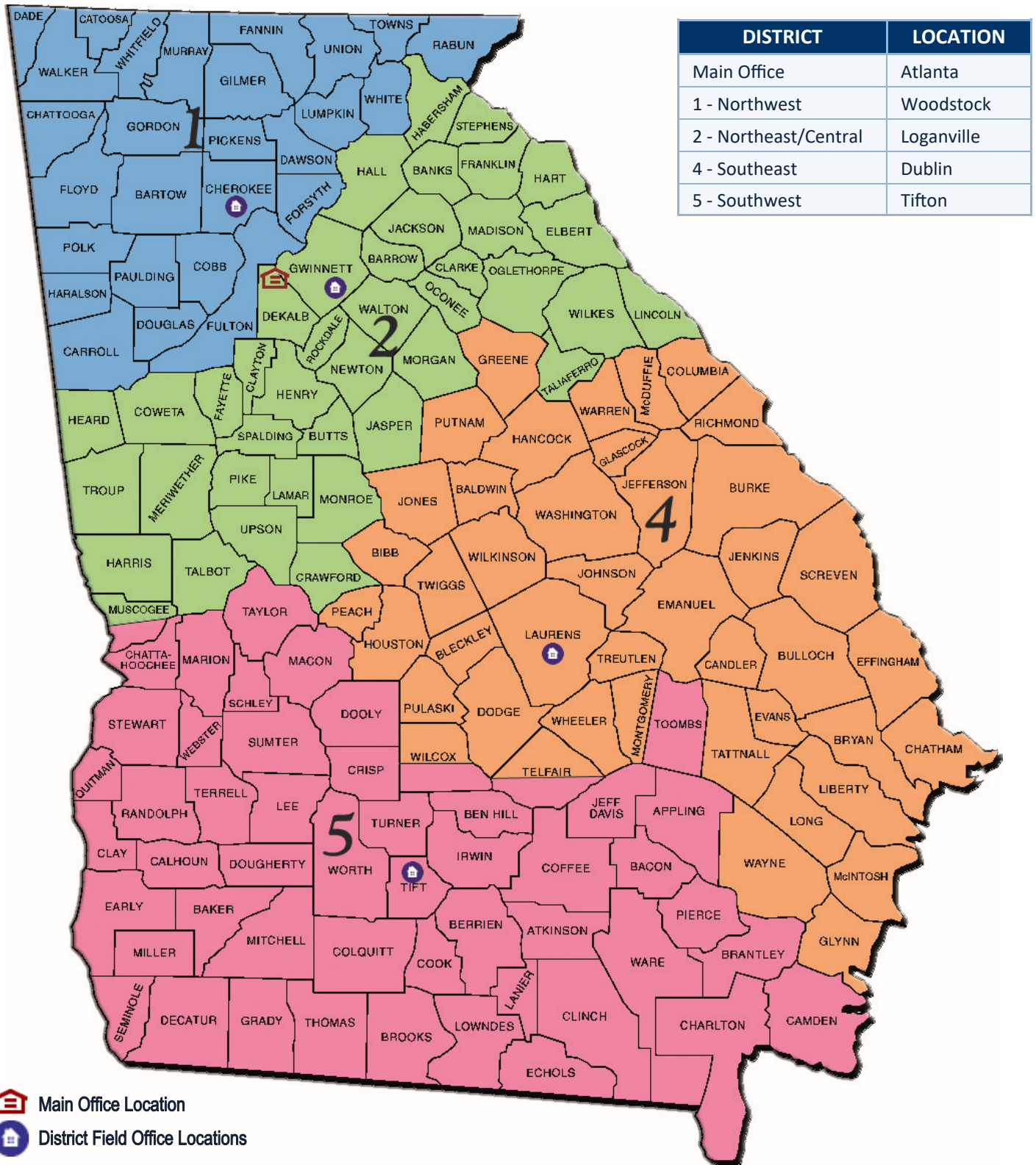
Financial Institution Supervision

State-Chartered Credit Union Financial Summary

<i>(dollar amounts in millions)</i>	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Number of institutions reporting	47	49	49	53	53
ASSETS					
Cash & Equivalents	199	1,382	1,142	1,245	817
Total Investments	3,082	3,216	3,709	3,950	3,817
Total Loans	15,023	13,922	12,447	11,215	8,819
(Allowance for Loan & Lease Losses)	(95)	(102)	(89)	(85)	(80)
Land And Building	245	243	233	230	208
Other Fixed Assets	69	64	43	35	31
NCUSIF Deposit	166	157	145	139	118
All Other Assets	547	484	447	371	306
TOTAL ASSETS	20,265	19,377	18,089	17,105	14,054
LIABILITIES & CAPITAL					
TOTAL LIABILITIES	432	466	409	349	218
TOTAL SHARES & DEPOSITS	17,290	16,561	15,491	14,703	12,244
Regular Reserve	239	238	236	238	224
Other Reserves	(30)	(26)	(22)	(26)	(24)
Undivided Earnings	2,334	2,138	1,975	1,841	1,391
TOTAL EQUITY	2,544	2,350	2,188	2,053	1,591
TOTAL LIABILITIES, SHARES, & EQUITY	20,265	19,377	18,089	17,105	14,054
INCOME & EXPENSE					
Loan Income	625	553	489	457	384
Investment Income	79	65	59	57	47
Other Income	311	275	253	236	187
Total Employee Compensation & Benefits	324	299	272	246	210
Temporary Corporate CU Stabilization Expense & NCUSIF Premiums	-	-	-	-	-
Total Other Operating Expenses	337	298	267	254	208
Non-operating Income & (Expense)	8	5	1	2	1
Provision for Loan/Lease Losses	75	81	57	48	41
Cost of Funds	98	71	61	62	57
NET INCOME (LOSS) w/o STABILIZATION EXPENSE & NCUSIF PREMIUM	189	149	145	142	103
NET INCOME (LOSS)	189	149	145	142	103

Source: NCUA Financial Performance Reports

Financial Institution Supervision Examination Districts and Work Areas



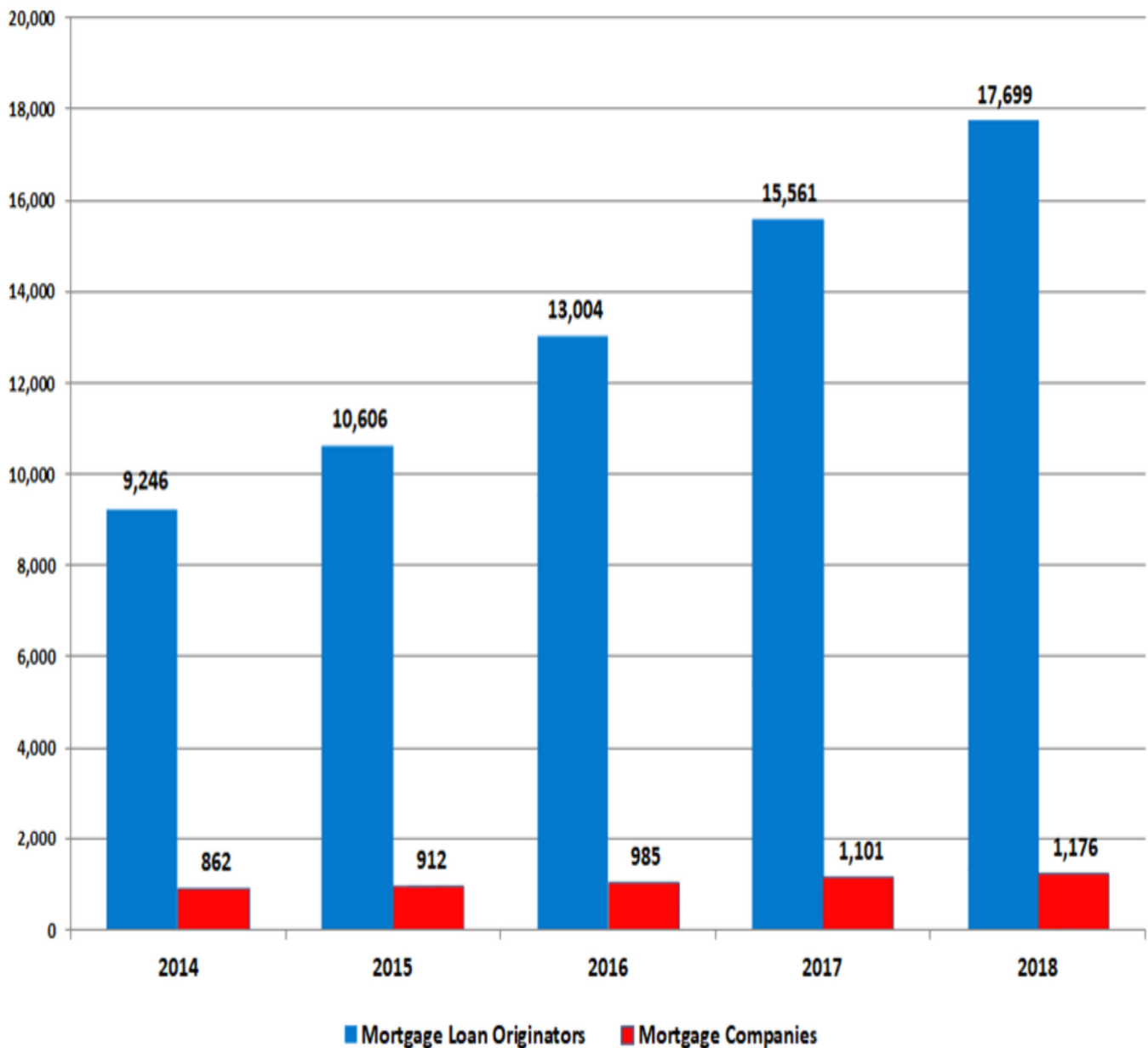
The above map is primarily for the purpose of exhibiting geographical district boundaries based on current institution assignments. However, some districts may have institutions assigned in other areas of the state due to multibank holding companies and/or district workload and scheduling issues. **Note:** District 3 was merged into Districts 1 and 2 on December 31, 2010.

Non-Depository Financial Institution Supervision

MORTGAGE LICENSEE AND REGISTRANT STATISTICS

Article 13 of Title 7 of the Official Code of Georgia Annotated (O.C.G.A.) requires all persons who transact business as a residential mortgage lender, broker, processor or loan originator be licensed or registered with the Department, unless they are exempt. At the end of 2018, active mortgage licensees and registrants totaled 18,875, representing a net increase of 2,213 or roughly 13 percent from the previous year. The year-over-year increase is largely due to heightened demand for mortgage loan originator licenses, which reflects the continuation of a longer-term trend.

Number of Mortgage Licensees



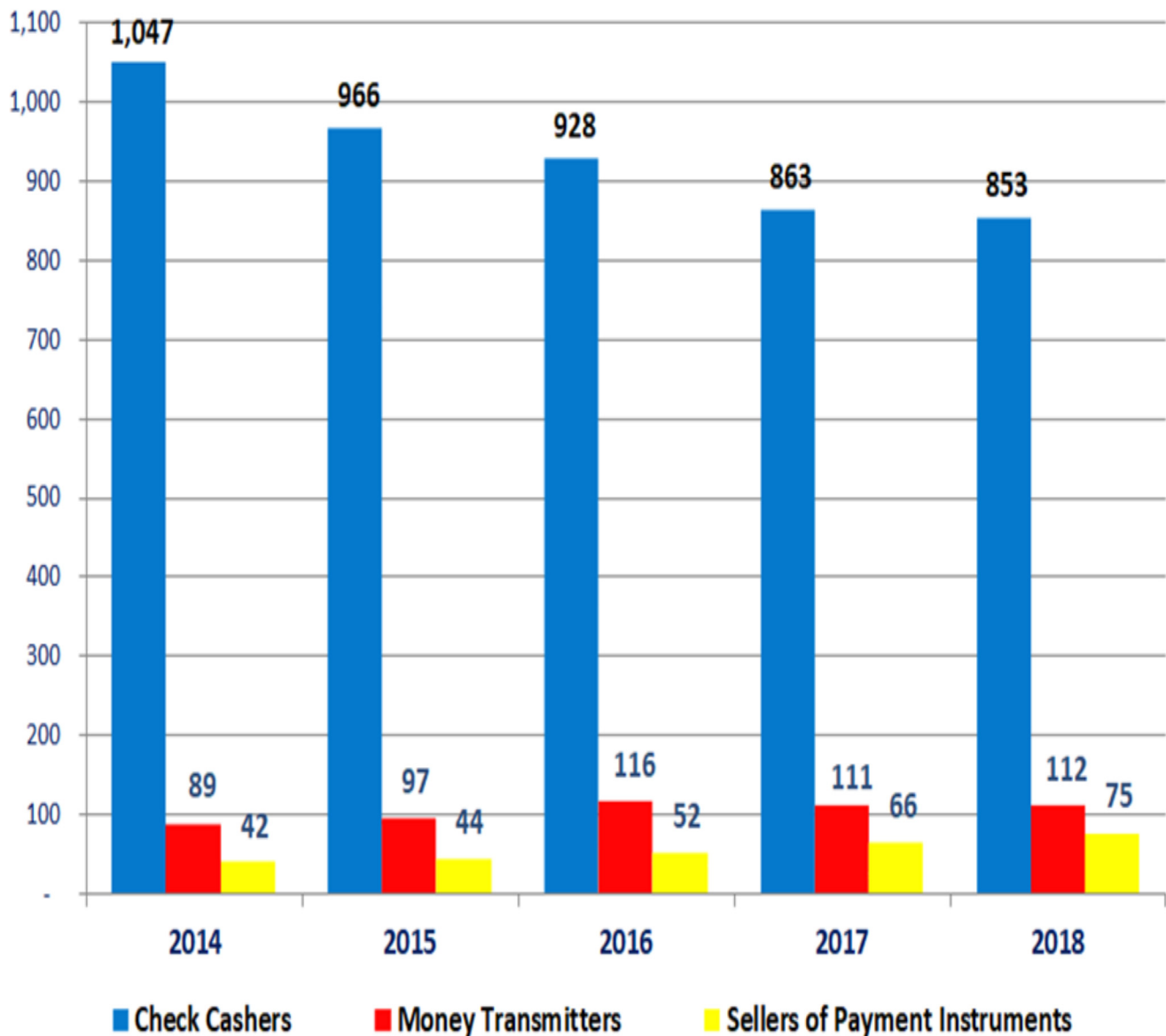
Non-Depository Financial Institution Supervision

MONEY SERVICE BUSINESSES STATISTICS

Unless otherwise exempt, anyone that engages in the cashing of payment instruments for a fee must be licensed by the Department under Article 4A of Title 7 of the O.C.G.A. Unless otherwise exempt, anyone that engages in the sale of payment instruments or money transmission must be licensed by the Department under Article 4 of Title 7 of the O.C.G.A.

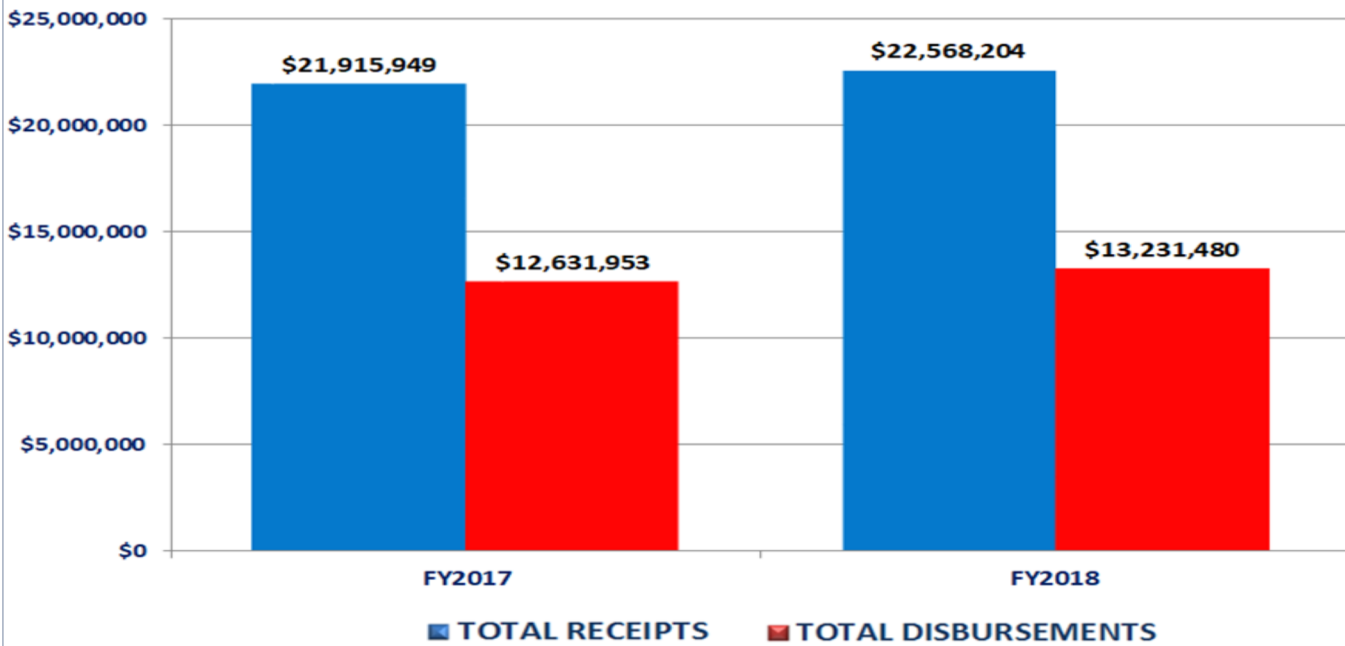
At the end of 2018, the number of money service businesses (MSB) licensed by the Department totaled 1,040, unchanged from the previous year.

Number of Money Service Businesses Licensed

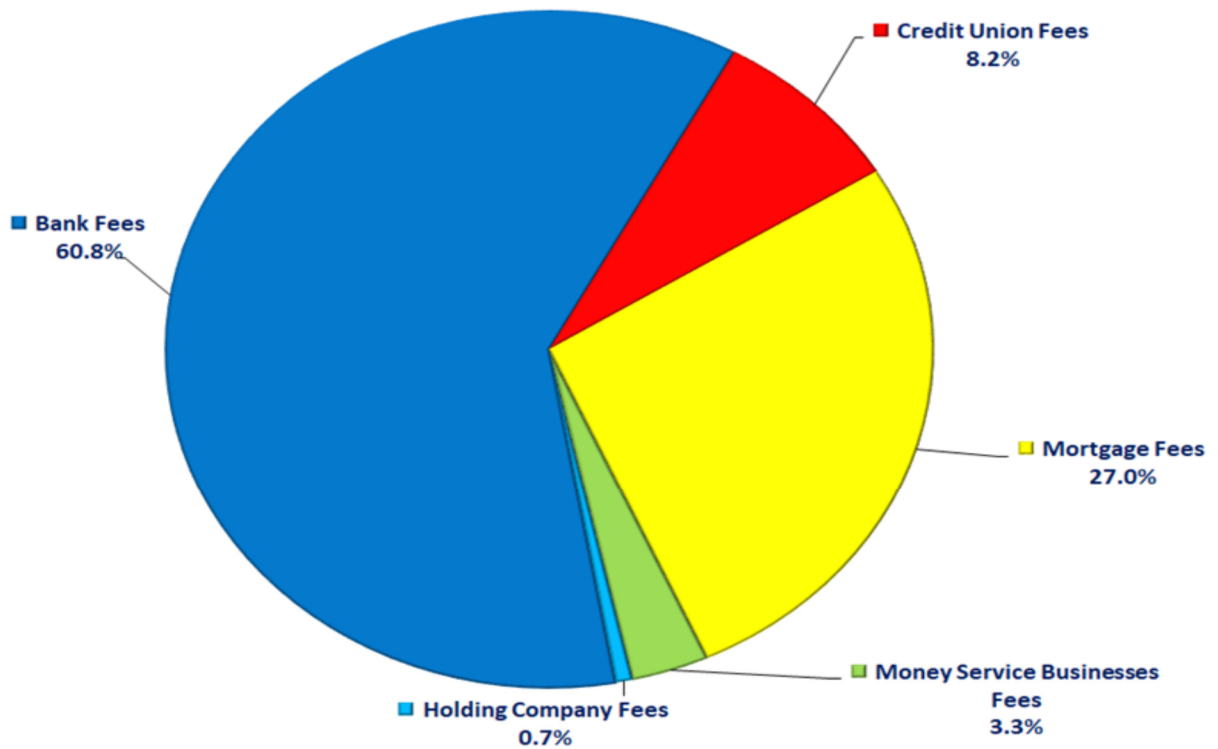


Administration

FISCAL YEAR 2018 RECEIPTS AND DISBURSEMENTS



FY2018 Revenues Collected



NOTE: Revenues of the Department are collected and remitted to the Office of the State Treasurer. The level of the Department's expenditures is subject to the state's budgetary process.

SUMMARY OF ACTIVITIES

FOR STATE-CHARTERED FINANCIAL INSTITUTIONS AND OTHER ENTITIES REGULATED BY, LICENSED BY, OR REGISTERED WITH THE DEPARTMENT OF BANKING AND FINANCE DURING 2018

FINANCIAL INSTITUTION, REGISTRANT, OR LICENSEE	Totals 12/31/2017	Opened Registered Licensed	Converted	Merged	Closed Liquidated Deregistered	Totals 12/31/2018
BANKS	145	0	1	-6	-1	139
TRUST COMPANIES	1	0	0	0	0	1
MALPBS	0	0	0	0	0	0
CREDIT UNIONS	49	0	0	-2	0	47
BANK HOLDING COMPANIES (Supervised and/or Registered)	119	0	1	-5	-1	114
SELLERS/ISSUERS OF PAYMENT INSTRUMENTS	66	14	0	0	-5	75
MONEY TRANSMITTERS	111	12	0	0	-11	112
CHECK CASHERS	863	85	0	0	-95	853
INTERNATIONAL BANK AGENCIES	0	0	0	0	0	0
INTERNATIONAL BANKING FACILITIES	0	0	0	0	0	0
INTERNATIONAL BANK REPRESENTATIVE OFFICES	4	0	0	0	0	4
REPRESENTATIVE OFFICES	50	0	0	0	0	50
MORTGAGE BROKERS, LENDERS, REGISTRANTS AND ORIGINATORS	16,662	5,557	0	0	-3,344	18,875

Benefits of the State Charter

§ Local, Responsive, and Timely Decision Making

State-chartered financial institutions have access to local decision makers in Georgia who are familiar with their unique marketplace and competitive environment. Decision makers in our Atlanta office and in field offices located around the state are easily reached for timely responses to questions and concerns from state-chartered institutions.

§ Local Community and Market Knowledge

Examination staff live in the districts where they work and are familiar with the local markets and communities. The Department's culture promotes decision-making by staff that have first-hand knowledge of your financial institution but with quick access for escalation to the Commissioner, when necessary, to ensure responsive and timely action on issues of concern to you.

§ Effective Regulation and Supervision

The Commissioner believes that all financial institutions deserve right-sized regulation and supervision scaled to their size, complexity, and risk profile. The Department is nationally accredited through the *Conference of State Bank Supervisors (CSBS)* and the *National Association of State Chartered Credit Union Supervisors (NASCUS)* to ensure that "best practice" regulation and supervision principles are implemented. Supervisory activities of the Department are conducted in coordination with federal and other state regulators, as applicable, through joint examinations and interstate cooperative agreements to deliver a seamless supervisory experience that minimizes duplication and regulatory burden.

§ Efficient Regulation and Supervision

Annual regulatory fees and assessments to cover costs of the Department's regulation and supervision activities are typically far less than those charged to comparable federally-chartered financial institutions.

§ Powers Comparable or Superior to Federal Charters

State-chartered financial institutions frequently enjoy powers that equal or exceed those available to federally-chartered financial institutions. To maintain competitiveness of the state charter, the Department routinely assesses laws and regulations, in coordination with the industry and our federal regulatory peers, to identify opportunities to expand powers or reduce unnecessary regulatory burden. HB 780 provides that a state-chartered bank or credit union may exercise any power available to a similar federally-chartered financial institution so long as the bank or credit union provides advance notice and the Department offers no objection to the exercise of such power.

Firm, but fair, right-sized regulation and supervision are guiding principles for promoting safe, sound, competitive financial services in Georgia.



Our Mission is to promote safe, sound, competitive financial services in Georgia through innovative, responsive regulation and supervision.

Our Vision is to be a willing and able partner with our regulated entities in order to support vibrant economic growth and prosperity in Georgia.

2990 Brandywine Road, Suite 200
Atlanta, Georgia 30341-5565

Phone: (770) 986-1633
Toll-free: (888) 986-1633

DEPARTMENT OF
BANKING AND FINANCE

Visit us on the web at:
dbf.georgia.gov